



O Canada!

The Most Important and Accessible Market for U.S. Exports

by William Corley

Export America

As North America recovers from the global recession, significant commercial opportunities are emerging in Canada for U.S. companies. The country annually consumes U.S. goods and services worth more than \$200 billion. Shared history, common geography, and the North American Free Trade Agreement (NAFTA) have facilitated and boosted trade with Canada, making it an excellent market for small and new-to-export businesses.

The Department of Commerce (DOC) promotes the U.S.-Canada bilateral relationship by helping U.S. businesses to develop export and other commercial opportunities in Canada. In particular, the DOC can assist small and medium-sized exporters in assessing the Canadian market. The DOC has identified favorable circumstances in several Canadian industries, such as aerospace, automotive, electric power, information technology, pharmaceuticals, and telecommunications. These industries constitute some of the best prospects in Canada for U.S. businesses.

The automotive parts and service equipment sector is especially promising for exporters. The Canadian automotive parts market has a value of more than \$40 billion, and the sector is expected to grow 3 to 4 percent annually in the next few years and 10

CANADA AT A GLANCE

Total area: 9,976,140 square km (a little larger than the USA)

Population: 31.2 million

GDP: \$778 billion (2002 forecast)

Real GDP growth: 3% (2002 forecast)

Inflation: 1.5% (2002 forecast)

GDP by sector: services 66%, industry 31%, agriculture 3%

Currency: Canadian dollar

Exports: motor vehicles and parts, timber, wood pulp, newsprint, crude

petroleum, machinery, natural gas, aluminum, electricity, telecommunications equipment

Imports: machinery and equipment, chemicals, motor vehicles and parts, crude oil, durable consumer goods, electricity

Official languages: English (mother tongue of 59% of the population), French (mother tongue of 23% of the population)

Sources: U.S. Department of Commerce, CIA, IMF, EIU.

to 12 percent annually later in this decade. U.S. automotive parts exports to Canada are forecast to expand in line with the market and exceed \$30 billion annually.

AFTERMARKET AUTOMOTIVE PRODUCTS

Several automotive market trends in Canada favor U.S. automotive parts suppliers, particularly of aftermarket products. This subsector of the automotive market includes manufacture, re-manufacture, distribution, and retail of replacement parts, equipment, tools, accessories, chemicals, and services used to repair and replace parts for vehicles after production. The aftermarket parts subsector exceeds \$9 billion in value and constitutes 15 percent of overall automotive retail sales in Canada. The United States supplies more than 85 percent of Canada's aftermarket automotive parts and accessories.

U.S. manufacturers and suppliers of aftermarket automotive products should take note of some fundamental trends in Canada, such as aging vehicle fleets and light truck usage. The average vehicle fleet age in Canada is approximately 8.5 years. Aging vehicle fleets are common throughout Canada, with the oldest fleet, approaching 10 years, in Saskatchewan. At the same time, light truck usage in Canada has risen dramatically in the last decade. Light trucks' share of all vehicles on Canadian roads rose from 5 percent in 1994 to 35 percent at the end of the 1990s. In the next two years, that share may increase to more than 38 percent. The share of passenger cars is expected to drop in the same period to approximately 61 percent. Japanese automobile manufacturers have about a quarter of the Canadian car market, and their share is expected to increase to 30 percent in the next two years.

The best opportunities in the Canadian automotive aftermarket may well ensue from safety, environmental, and fuel efficiency regulations. For instance, strict new emission standards will be required of 2004 model year sport-utility vehicles and large passenger vans sold in Canada. Automobile electronics, information technology, and passenger comfort systems should see strong and increasing demand in coming years.

Geographical proximity, in addition to ease of import ensuing from NAFTA, gives U.S. exporters strong competitive advantages in the Canadian automotive market. The best opportunities for aftermarket products are those with limited warranties and those that are commonly replaced during an automobile's life span—items such as air filters, air conditioning, batteries, clutch parts, oil filters, wiper blades, fuel pumps, lubricants, and tires.

AEROSPACE

The Canadian aerospace market also offers significant opportunities for U.S. exporters, particularly of aircraft and parts. Aerospace is a world-class industry in Canada, which includes several hundred companies and employs 85,000 people. Canadian aerospace companies are particularly strong in business jets, commercial helicopters, regional aircraft, flight simulators, and turbine engines. U.S. subsidiaries play a strong role in the Canadian aerospace market, which has an estimated value of several billion dollars.

Canada imports more than \$7 billion worth of aerospace products and parts, half of which come from the United States. Within aerospace imports, aircraft and engine parts total \$3.5 billion in imports. The United States provides half of Canada's imports of aircraft and helicopter parts.

The fastest-growing aerospace imports include the category of parts of balloons, dirigibles, and spacecraft,



which rose 130 percent between 2000 and 2001. Ninety percent of Canada's imports of these products come from the United States. Other strong growth categories include aircraft engine parts as well as aircraft undercarriages.

Major Canadian aerospace manufacturers appear to be cutting the number of suppliers. At the same time, manufacturers are actually expanding outsourcing and increasing contractual periods. The number of opportunities is decreasing, but the opportunities are increasing in size and scope. Some Canadian manufacturers are seeking partners for extensive design and production of both systems and components.

OTHER INDUSTRIES AND RESOURCES

Several other Canadian industries offer solid opportunities for U.S. exporters. Electronics components and computers and peripherals have strong growth forecasts, but they are by no means the only favorable sectors. As U.S. trade continues to develop with Canada, and due to long-term NAFTA advantages and short-term currency benefits, this may be an excellent time for U.S. exporters to enter the Canadian market or increase their presence there. For more information, visit www.export.gov, select the link to country and industry market research, and then choose the *Country Commercial Guide* or industry-specific reports for Canada. ■

PARTNERS IN TRADE

Canada and the United States share wealthy, market-driven, high-tech industrial societies. They also share a significant degree of economic interdependence. Canada is the United States' largest trading partner; bilateral merchandise trade totaled \$380.6 billion in 2001. Canada is also the United States' No. 1 export destination, with sales of goods that exceed total U.S.-China trade, and rival total U.S.-Japan trade. Canada consumes 25 percent of U.S. exports while supplying 20 percent of all U.S. imports. In turn, the United States consumes more than 85 percent of Canada's exports, while 75 percent of Canada's imports come from the United States.

TRADE EVENTS

British Columbia Golfing Industry Matchmaker

October 15–17, 2002

Penticton, British Columbia

This event allows U.S. golf manufacturing and service companies to arrange one-on-one, pre-screened appointments with potential distributors, agents, and partners in British Columbia's golf industry. The matchmaking opportunity also includes U.S. Commercial Service counseling and market reports on the local industry. This matchmaker will take place at the PGA trade show in Penticton, B.C.

Healthy Mind and Body Business Links

April 24–27, 2003

Vancouver, British Columbia

This matchmaking event targets U.S. companies in the health food, beauty products, natural products, and vitamins industries. The Commercial Service will arrange appointments with local businesses interested in partnerships, collaboration, and other commercial cooperation. The event will coincide with the Canadian Health Food Association Expo/Conference in Vancouver.

Contact for both events:

Judy Simonite

U.S. Commercial Service, Vancouver

Tel: (604) 685-4311, ext. 278

E-mail: Judy.Simonite@mail.doc.gov